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The Director of Central Intelligence
Washington, D.C. 20505

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27 June 1985

Dear Mr. President,

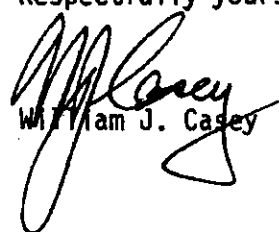
You may find this good airplane reading.

It is a good picture of Gorbachev's style, objectives and operating methods as shown in the first 100 days of his leadership.

You will sympathize with his targetting the massive bureaucratic apparatus, [redacted]

[redacted]

Respectfully yours,


William J. Casey

The President
The White House
Washington, D. C. 20500

ALL WITH ATTACHMENT

Orig - The President [redacted]

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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

JUNE 1985

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Gorbachev, the New Broom

Summary

Gorbachev has demonstrated in his first 100 days that he is the most aggressive and activist Soviet leader since Khrushchev. He is willing to take controversial and even unpopular decisions--like the antialcohol campaign--and to break with recent precedent by criticizing the actions of his colleagues on the Politburo. [redacted]

He has thrown down the gauntlet on issues as controversial as the allocation of investment, broadgauged management reform, and purging the system of incompetent and corrupt officials. The very insistence of his rhetoric allows little room for compromise or retreat. [redacted]

Gorbachev is gambling that an attack on corruption and inefficiency, not radical reform, will turn the domestic situation around. While a risky course, his prospects for success should not be underestimated. Although his approach is controversial, his near term prospects look good. Unlike his immediate predecessors, he has already managed to firm up his base of support in the Politburo and Secretariat. He can also count on some support from middle level officials of the bureaucracy who were frustrated by the stagnation of the Brezhnev era. The public as well has responded favorably to his style, judging by initial reaction

This paper was prepared by [redacted] of the Office of Soviet Analysis.
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filtering back through Western sources. His aggressiveness has placed the opposition on the defensive. His opponents are probably biding their time hoping he makes a major misstep. [REDACTED]

Gorbachev's Style

Gorbachev has moved to draw a sharp contrast in style to his recent predecessors, who treated the bureaucracy gingerly and approached change cautiously. Brezhnev and Chernenko voiced concern about the deepening economic and morale problems in the country, but they were not prepared to confront the bureaucracies standing in the way of solutions. Brezhnev's solicitous attitude toward the bureaucracy limited the power of his office as officials came to believe they had lifetime tenure. Andropov moved to break this mold, but he was handicapped by his poor health and the lingering presence of Brezhnevites, including Chernenko and Premier Tikhonov. Learning from Andropov's experience, Gorbachev has consciously created an environment of urgency and made clear he intends to confront problems. [REDACTED]

Gorbachev's populist style has not been seen since Khrushchev's frequent forays among the public and bare knuckles approach to dealing with the bureaucracy:

- He has visited factories in Moscow and Leningrad and found other opportunities to rub shoulders with workers in an effort to burnish his image as a man of the people. Soviet television has highlighted his easy give-and-take with ordinary citizens. -
- He is carefully managing public relations. [REDACTED]

- Gorbachev has also moved his wife Raisa into the spotlight. She has appeared in the Soviet press and on television, [REDACTED]

While these traits mark Gorbachev as an unconventional Soviet politician, it is his no-holds-barred approach to confronting chronic domestic problems that underscores his new style as a leader. Gorbachev may feel that an aggressive approach is essential if he is to avoid getting bogged down like

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Andropov. A wide spectrum of Soviet officials complained of drift and corruption under Brezhnev and became discouraged when Andropov's ill health caused his initiatives to lose momentum. They provide a well-spring of potential support for Gorbachev's approach:

- He has instituted a sweeping crackdown on the deep-rooted problem of alcoholism, [REDACTED]
- He criticized his Politburo colleagues in public during his visit to Leningrad, terming their recent decision on the allocation of land for private plots inadequate and dismissing objections apparently raised by his colleagues.
- He has assailed ministers by name for lack of innovation, laziness, and poor management and has strongly implied that they will be removed. He has attacked the complacent attitude toward corruption within the party bureaucracy and called for promotion of younger and more competent officials at all levels. While such rhetoric is not new in itself, he has already underscored his intention to back up his tough rhetoric with dismissals by sacking some middle-level officials.

-- [REDACTED]

Gorbachev has made it clear that he believes his policies are justified by the growing foreign and domestic problems facing the USSR:

- He has studied his speeches with language that evokes the image of a crisis, and suggested that the USSR is now at a turning point. [REDACTED] he has decided to raise Russian national consciousness and to impose "super-enforcement" of order and discipline.
- At the April Central Committee plenum, he was sharply critical of the economic laxity under Brezhnev and the failure to follow through on decisions which had been taken by the leadership.
- In his speech to the S&T conference in early June, he warned that accelerated economic growth was an imperative due to the need to sustain current levels of consumption

while making the investments in defense required by current international tensions. [REDACTED] 52

Consolidating Power

Gorbachev is using time honored methods for building his power, advancing his allies into key leadership positions, but he is off to a faster start than any of his recent predecessors. More changes are likely soon:

- By advancing three allies to full Politburo membership in April he has probably achieved a working majority on most issues.
- The designation of Yegor Ligachev--one of the three promoted--as unofficial "second secretary" isolated his major rival, Secretary Grigoriy Romanov, who has been nearly invisible politically. [REDACTED]
- KGB boss Chebrikov--who was also promoted--appears to be another close ally, giving the General Secretary an important advantage in exerting political pressure against would-be Politburo opponents, most of whom are tainted by corruption.
- Gorbachev also placed a younger protege in charge of the department that oversees personnel appointments, further consolidating his control over personnel policy and setting the groundwork for potentially sweeping personnel changes preceding next February's party congress. He is off to a fast pace in replacing his opponents in the bureaucracy. He has retired one deputy premier and three ministers, and named nine new regional party bosses and three new Central Committee department heads. [REDACTED]

Domestic Strategy

Using his strong political position, Gorbachev's first priority is to push his domestic economic program. While some Soviet officials have indicated he is sympathetic to the use of pragmatic methods, including tapping private initiative, his statements and actions underscore his overall commitment to the current economic system and his determination to make it work better. Having acknowledged the gravity of the economic problem, Gorbachev exudes an optimism that he and his team can eliminate waste, tighten discipline, increase the quality and quantity of production, and accelerate economic growth. While expressing great pride in the historical accomplishments of central planning, he has sharply criticized its recent performance, and called for

"revolutionary" changes in the way the system works. [redacted] 13

His first priority fix is to reduce waste and tighten discipline, particularly among managers:

- Gorbachev has cited cases of such waste, such as the 20 percent loss of the harvest. Figures published in the Soviet press indicate Andropov's discipline campaign has reduced losses in working time about 20 percent, and Ukrainian party boss Shcherbitskiy recently announced that the campaign had saved several hundred million rubles. Gorbachev probably hopes to squeeze out similar resources.
- Soviet officials indicate that Gorbachev has reinvigorated Andropov's discipline campaign. [redacted] Gorbachev has reinitiated document checks and crackdowns on drunks and deadbeats, even threatening to fire managers who have failed to correct such problems among their workers.
- His speeches indicate he will extend earlier efforts to tie pay more closely to productivity both for workers and managers, not only rewarding good workers but penalizing--perhaps even docking the salaries--of poor performers. [redacted]

Building from a base of improved worker discipline and management effectiveness, Gorbachev hopes to further boost long-term growth entail a modernization of the capital base by increased investment in machine-building and retooling existing factories. While the effects of this approach will not be felt for some time, he has remanded the draft Five-Year Plan for 1986-90 to redirect it toward growth based on increased productivity rather than expanded resources. More specifically:

- He has called for investment in modernizing factories to be increased from 1/3 to 1/2 of investment,* and demanded that investment and output in civilian machine-building be doubled. He even called for "mothballing" some new construction projects, as an unusually candid admission of a major Soviet problem in the construction sector. His stress on conservation rather than increased output of raw materials also indicates a heightened emphasis in this area. [redacted]

*Soviet bureaucrats, both ministerial and party, have traditionally called for new construction. Such projects have been doled out to satisfy local lobbies like pork barrel projects. In his S&T conference speech, Gorbachev condemned this approach and insisted on focusing investment on where it was needed most.

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Beyond this, he has been less specific on other economic initiatives, but his statements suggests he may intend to press even more controversial policies touching of the powers of the bureaucracy:

- His public statements suggests he wants to amalgamate ministries and redirect them and the State Planning Committee (Gosplan) away from day-to-day management decisions.
- He would like to see greater autonomy for plant managers and will probably push for reduction of centrally dictated indicators.
- He has criticized intermediate management bodies that choke off initiative, hinting that they should be streamlined or eliminated. His aim is to eliminate some of the massive bureaucratic apparatus that, as he complained in his speech to the S&T conference, implements Central Committee decisions in such a manner that after they are finished "nothing is left of these principles."
- He may advocate legalizing some parts of the "second economy" and allow a limited expansion of the role of private agriculture, despite potential ideological opposition. He hinted at this in his Leningrad speech in May. Gorbachev may feel some limited concessions--like tolerating private repairmen or allowing greater access to summer gardens for urban dwellers--could help improve the quality of life without undermining the system or forcing a showdown with ideological purists in the elite who have traditionally have resisted such steps.

Foreign Policy

Gorbachev's impact on foreign policy has so far been mostly stylistic. He has revealed no urgent agenda to match his determination to accelerate economic growth at home. Some of his gambits--like the INF moratorium--are stable leftovers from his predecessor. His immediate goal has apparently been to demonstrate to both allies and adversaries that there is now a strong and active leader in the Kremlin. Despite the press of domestic business, Gorbachev has received a steady stream of European and Third World leaders. He has been more activist than his immediate predecessors and will reportedly embark soon on a vigorous shedule of personal diplomacy and foreign trips. He is slated to travel to Paris in October for meetings with Mitterrand and he may visit India later this year.

Although he has not yet made any serious new initiative toward the US, he has already made his presence felt on Soviet

policy. He reportedly ratified the return to the bargaining table in Geneva even before Chernenko's death in March. He softened Soviet conditions for a summit with President Reagan soon after entering office. Since then, he has apparently sanctioned the recent expansion of bilateral exchanges and met with several US delegations. [REDACTED]

In public statements and private discussions, however, Gorbachev is clearly intent on presenting [REDACTED] a tough hardline image abroad and convincing American policymakers that bilateral relations will improve only if US policy changes. He and his colleagues evidently do not believe an early improvement in relations is likely:

- A variety of sources make clear Gorbachev will concentrate on cultivating an image of strength, not conciliation.

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- In talks with American visitors he has bristled at efforts to raise human rights issues, demanded that the US not take a "carrot and stick" approach, and insisted that Soviet leaders will be ready to deal only when the US starts treating the USSR as an equal.

- Moscow's more recent decision to play hard to get on a summit dovetails with this strategy. [REDACTED]

[REDACTED] --claim Gorbachev will expand previous Soviet efforts to drive wedges between the US and our allies. He has already spoken publicly of a "community of interest" between the USSR and Western Europe, met with a series of European leaders, and indicated that Moscow is now prepared to establish political relations with the European Community:

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Gorbachev has also taken a tough line within the Warsaw Pact, reportedly sending ripples of concern through the more Brezhnevite regimes, such as Czechoslovakia. His public

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statements have stressed the need for bloc unity and closer economic integration. [redacted]

[redacted] claimed that Gorbachev's tough guy attitude was meant not only for the West but to signal to allies that he is not to be trifled with. [redacted]

Gorbachev's early actions have also signaled strong support for allies in Afghanistan and Central America:

- Soviet forces in Afghanistan continue to pursue the more aggressive military approach that we began to see last year.
- He met Nicaraguan leader Ortega only days after the US Congress turned down the President's original request for aid to the Contras and pledged increased oil deliveries to bolster the regime. [redacted]

Opposition to Gorbachev's Juggernaut?

Opposition to Gorbachev for now appears disorganized. The old guard in the Politburo--such as Premier Tikhonov, Moscow party boss Grishin or republic bosses Shcherbitskiy and Kunayev--are probably on the defensive due to charges of mismanagement or corruption in their organizations. Secretary Romanov, a potential focus for opposition, has been outflanked by Gorbachev's personnel moves and probably is no longer an effective rallying point. [redacted]

As a result, those threatened by Gorbachev at the Central Committee level lack an effective spokesman. While they can resist by footdragging on his policies, he can probably remove them if they don't appear to be falling into line. Many elderly Brezhnev-era holdovers may well find it easier to retire than fight. [redacted]

Despite his strong position, Gorbachev does not have an entirely free hand. Other Politburo members can still slow up his initiatives. Independents or even allies might balk at some aspects of Gorbachev's freewheeling style. There are some signs, moreover, that Gorbachev's initiatives have already been watered down or met resistance:

- Judging from his remarks in Leningrad, the Politburo rejected his more far reaching proposals for expansion of garden plots, evidently on the grounds that this amounts to encouraging private enterprise.

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- Some evidence suggests that the timing of a US-Soviet summit has become entangled in leadership politics.
- [redacted]

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Soviet media treatment of Gorbachev's speeches suggests that his policy agenda is meeting some high-level resistance:

- Press versions of Gorbachev's speech in Leningrad toned down his criticism of the Politburo decision on extending the private plots.
- Published versions also eliminated references to Gorbachev's personal sponsorship or support of economic reform initiatives.
- On some occasions, the media have published full accounts of his speeches only after a delay of several days. [redacted]

Nonetheless, the strength of Gorbachev's position suggests that his detractors will have to wait until he makes a major misstep or overreaches on a controversial issue in order to give them an opportunity to coalesce. The real test may come when evidence begins to roll in on the success or failure of his program. [redacted]

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Can Gorbachev Succeed Where Khrushchev Failed?

Gorbachev's efforts to force greater efficiency out of the system is still a risky gamble, despite the disorganized state of resistance. Khrushchev, for instance, succeeded for nearly ten years in keeping the opposition on the defensive through endless reorganizations and campaigns, but eventually he alienated his own supporters. Khrushchev's approach was so helter skelter that the bureaucrats often could not discern what he really wanted them to do. []

Having witnessed Khrushchev's mistakes, Gorbachev's signals are likely to be much clearer and more consistent. Yet, a number of these clear signals are likely to produce resistance. Gorbachev's investment strategy may cause him the most problems with the bureaucracy. The allocation of investment is closely tied to the power of officialdom, who can dole out "pork barrel" projects as a kind of political payment for loyalty. By sharply reducing investment funds in some sectors and requiring a new approach to management, moreover, Gorbachev's approach is bound to alienate many in the bureaucracy upon whom he must depend for policy implementation. While he can use the power of hiring and firing to discipline this group, such an approach--as Khrushchev discovered--potentially has its cost in terms of production and political support. []

Gorbachev's call for faster economic growth may also come back to haunt him. Efforts to reconstruct existing factories may lead to declining output at a time when he is proposing a return to higher economic growth rates. While his four percent growth prediction for the next Five Year Plan may not be entirely out of reach, it forces managers into the position of choosing between increasing output and reequipping their factories. Massive shifts in investment priorities could also create bottlenecks and disruptions in the economy. For instance, shifting resources from energy extraction--at a time when both coal and oil output is declining--to the production of more energy efficient machinery might exacerbate the energy balance in the short term. []

Gorbachev will have to carefully calibrate his policies in order to avoid pitfalls in a system where emphasizing specific priorities at the top frequently translates into slackened effort on other areas. The prospects for a radical reorientation of Soviet managers toward quality rather than quantity are also not good--it runs counter to the approach of the last 55 years. But, Andropov's experience demonstrated that a concerted effort on management discipline--backed by the threat of firing--can probably have beneficial effects. []

Looking Ahead

With the urgent rhetoric and ambitious agenda he has set so

far, Gorbachev will be under the gun to show continuing evidence of momentum or else risk allowing potential opponents to draw together and work against him. [REDACTED]

Consolidating power. Gorbachev is likely to be elected President at next week's Supreme Soviet session. He might also advance other allies into junior slots in the leadership at a plenum preceding the Supreme Soviet. Gorbachev will almost certainly use the party elections campaign before the party congress next year to replace many Brezhnev holdovers among regional party and government leaders. Party Secretary Romanov, once Gorbachev's major rival, is already in decline, and a recent smear campaign linking him to Gorbachev's opponents may be intended to pave the way for his removal. [REDACTED]

Gorbachev will continue to oust symbols of the Brezhnev old guard in the economic bureaucracy. The ministers he named at the S&T conference are almost certain to go. Gorbachev's attacks on the ministries have made Premier Tikhonov's position increasingly untenable, and he could be gracefully eased out even before the party congress. The retirement of Gosplan chief Baybakov, a symbol of resistance to change since the Brezhnev era, would send a strong message to the bureaucracy. [REDACTED]

Domestic Agenda. If Gorbachev wants to signal a new tone, he could defer the traditional summer vacation and work on getting the draft Five Year Plan and party program in shape for the congress. The draft program might be unveiled at the next plenum and should certainly echo his themes of increased discipline and technological progress. When the draft of the economic plan is made public, it should reflect his demands for increased economic growth rates and a new investment strategy. [REDACTED]

He could also make additional forays outside of Moscow to demonstrate his leadership and activism. He is currently visiting the Ukrainian capital Kiev and might undertake a visit to somewhere in Siberia to further increase his exposure. He could use these trips to keep up the rhetorical pressure on the economic bureaucrats. [REDACTED]

Foreign Policy. We will probably begin to see a growing Gorbachev impact on foreign policy. Gromyko's influence will decline further from its high point in the Chernenko regime. A meeting with President Reagan would also burnish his image as a statesman, and an early move by Moscow to arrange a summit cannot be ruled out. [REDACTED]

His activism may also be reflected in bolder efforts to put pressure on current US policy. We could, for example, see more skillful attempts to woo Tokyo by exploiting trade frictions between the US and Japan, or a symbolic gesture toward Beijing designed to disrupt Sino-US relations. New initiatives to undermine NATO cooperation on SDI and COCOM restrictions are also

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likely.

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Signals of Setback for Gorbachev

Opponents will be looking for opportunities to slow Gorbachev's momentum. An early indicator of political difficulties would be his failure to get the Presidency. While there may be reasons for a General Secretary to delay assumption of the Presidency--Andropov may have for instance--Gorbachev would have to consider the cost of losing political momentum, especially when he so clearly linked the offices of General Secretary and President in nominating Chernenko as chief of state last year. [REDACTED]

-- [REDACTED] On balance, however, Gorbachev would probably still benefit more from holding both posts, and it would facilitate his enagement in personal summitry with foreign heads of state. [REDACTED]

Another sign of resistance would be delays in the publication of the draft Five Year Plan or party program or the failure of the drafts to show new approaches to economic and social policy. If Gorbachev fails to follow up on his tough rhetoric by firing the ministers he has criticized, it would be widely read in the USSR as a setback. He has made personnel turnover a major issue, and failure to make changes in the top echelon of the party and ministries would signify that his Politburo colleagues are unwilling to go along. [REDACTED]
END BOX